

WEST HARRISON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Jason Sherer	President	2007
Walter Utman	Vice-President	2008
Kandy Forbes	Board Member	2007
Jeri Sheppard	Board Member	2009
Tammy Neill	Board Member	2009

Board of Education (After September 2007 Election)

Walter Utman	President	2008
Tammy Neill	Vice-President	2009
Kandy Forbes	Board Member	2010
Jeri Sheppard	Board Member	2009
Jason Sherer	Board Member	2010

School Officials

Richard Gerking	Superintendent	2008
Jane Roden	Board Secretary/ Business Manager	2008
Ahlers & Cooney, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Harrison Community School District, Mondamin, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

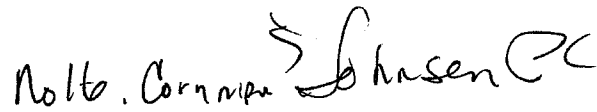
In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2009 on our consideration of West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Harrison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,715,590 in fiscal 2007 to \$4,978,386 in fiscal 2008, and General Fund expenditures increased from \$4,694,641 in fiscal 2007 to \$4,961,985 in fiscal 2008. The District's General Fund balance increased from \$6,089 in fiscal 2007 to \$22,490 in fiscal 2008, a 269.35% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local taxes and state revenue in fiscal 2008. The increase in expenditures was due primarily to the increase in the regular instructional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Harrison Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Harrison Community School District Annual Financial Report

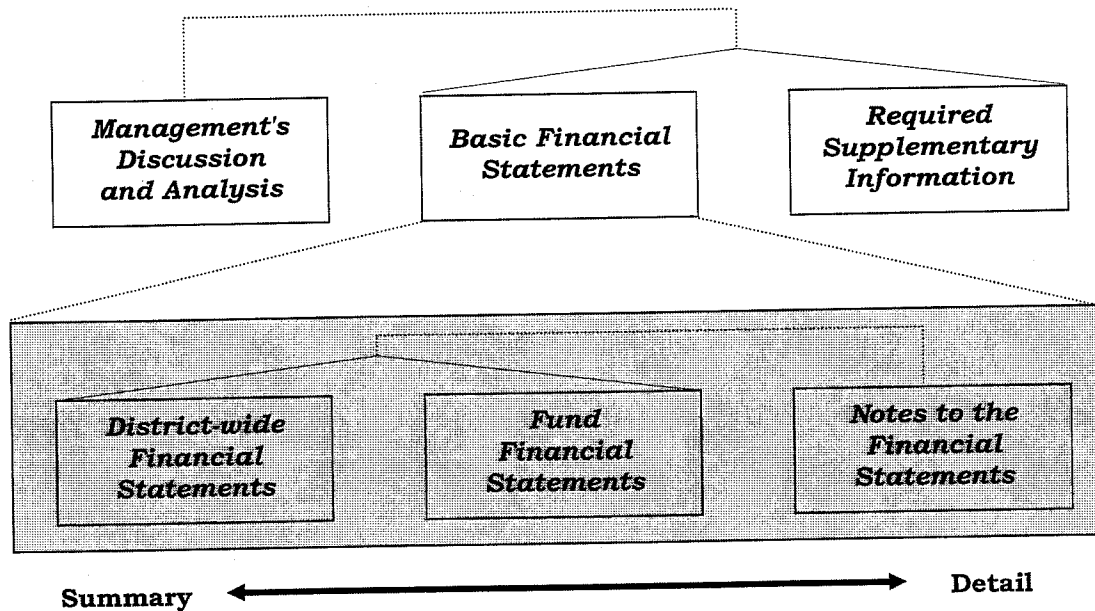


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 6,025,770	5,670,838	7,527	8,771	6,033,297	5,679,609	6.23%
Capital assets	4,519,203	4,564,232	13,414	16,579	4,532,617	4,580,811	-1.05%
Total assets	10,544,973	10,235,070	20,941	25,350	10,565,914	10,260,420	2.98%
Long-term obligations	1,817,868	2,109,392	0	0	1,817,868	2,109,392	-13.82%
Other liabilities	4,768,119	4,609,783	14,059	23,795	4,782,178	4,633,578	3.21%
Total liabilities	6,585,987	6,719,175	14,059	23,795	6,600,046	6,742,970	-2.12%
Net assets:							
Invested in capital assets, net of related debt	2,799,203	2,529,232	13,414	16,579	2,812,617	2,545,811	10.48%
Restricted	1,013,237	899,932	0	0	1,013,237	899,932	12.59%
Unrestricted	146,546	86,731	(6,532)	(15,024)	140,014	71,707	95.26%
Total net assets	\$ 3,958,986	3,515,895	6,882	1,555	3,965,868	3,517,450	12.75%

The District's combined net assets increased by 12.75%, or \$448,418, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$113,305, or 12.59% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$68,307 or 95.26%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 and June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 356,982	371,665	114,166	101,259	471,148	472,924	-0.38%
Operating grants and contributions and restricted interest	681,044	599,028	109,323	116,454	790,367	715,482	10.47%
General revenues:							
Local tax	2,296,746	2,275,327	0	0	2,296,746	2,275,327	0.94%
Local option sales and services tax	297,307	317,617	0	0	297,307	317,617	-6.39%
Unrestricted state grants	2,141,175	1,994,755	0	0	2,141,175	1,994,755	7.34%
Other	144,033	170,451	136	227	144,169	170,678	-15.53%
Transfers	0	(269)	0	0	0	(269)	100.00%
Total revenues	5,917,287	5,728,574	223,625	217,940	6,140,912	5,946,514	3.27%
Program expenses:							
Governmental activities:							
Instructional	3,337,146	3,256,143	0	0	3,337,146	3,256,143	2.49%
Support services	1,751,680	1,632,343	0	408	1,751,680	1,632,751	7.28%
Non-instructional programs	0	0	218,298	230,074	218,298	230,074	-5.12%
Other expenses	385,370	365,625	0	0	385,370	365,625	5.40%
Total expenses	5,474,196	5,254,111	218,298	230,482	5,692,494	5,484,593	3.79%
Changes in net assets	443,091	474,463	5,327	(12,542)	448,418	461,921	-2.92%
Beginning net assets	3,515,895	3,041,432	1,555	14,097	3,517,450	3,055,529	15.12%
Ending net assets	\$ 3,958,986	3,515,895	6,882	1,555	3,965,868	3,517,450	12.75%

Local tax and unrestricted state grants account for 72.27% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89.40% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in unrestricted state grant monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$5,917,287 and expenses were \$5,474,196. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,337,146	3,256,143	2.49%	2,472,174	2,029,989	21.78%
Support services	1,751,680	1,632,343	7.31%	1,749,786	1,673,359	4.57%
Other expenses	385,370	365,625	5.40%	214,210	254,879	-15.96%
Totals	<u>\$ 5,474,196</u>	<u>5,254,111</u>	<u>4.19%</u>	<u>4,436,170</u>	<u>3,958,227</u>	<u>12.07%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$356,982.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$681,044.
- The net cost of governmental activities was financed with \$2,296,746 in local tax, \$297,307 in local option sales and services tax, \$2,141,175 in unrestricted state grants, and \$125,502 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$223,625 and expenses were \$218,298. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Harrison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,113,499, above last year's ending fund balances of a \$917,671. The primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in local tax and decrease in support service and other expenditures during the fiscal year 2008.

Governmental Fund Highlights

- The increase in revenues was enough to offset the increase in expenditures during the fiscal year 2008, causing the General Fund balance to increase. The District's General Fund increased \$16,401. The increase is due primarily to an increase in local tax and state revenues.
- The District's Physical Plant and Equipment Levy Fund increased by \$11,760 due to a decrease in operation and maintenance of plant services expenditures.
- The District's Capital Projects Fund increased by \$76,730. The increase is due primarily to the increase in local option sales and services tax revenue and a decrease in student transportation expenditures.
- The District's Management Levy Fund increased by \$76,533 due to the increase in local tax revenue.
- The District's Debt Service Fund increased by \$1,645 due to the increase in local tax revenue.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from \$1,555 at June 30, 2007 to \$6,882 at June 30, 2008, representing an increase of 342.57%. For fiscal 2008, the District's expenditures decreased and revenues increased resulting in an increase in the fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$389,083 less than budgeted revenues, a variance of 5.96%. The most significant variance resulted from the District receiving less in state and federal sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year. During the year ended June 30, 2008 expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4,532,617, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.05% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$209,449.

The original cost of the District's capital assets was \$7,344,114. Governmental funds account for \$7,299,655 with the remainder of \$44,459 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$24,485 at June

30, 2008, compared to \$0 reported at June 30, 2007. This increase resulted from construction throughout the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,179,864	4,268,758	0	0	4,179,864	4,268,758	-2.08%
Land improvements	35,198	23,938	0	0	35,198	23,938	47.04%
Machinery and equipment	259,656	251,536	13,414	16,579	273,070	268,115	1.85%
Construction in Progress	24,485	0	0	0	24,485	0	100.00%
Total	\$ 4,519,203	4,564,232	13,414	16,579	4,532,617	4,580,811	-1.05%

Long-Term Debt

At June 30, 2008, the District had \$1,817,868 in general obligation and other long-term debt outstanding. This represents a decrease of 13.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,720,000 at June 30, 2008.

The District had early retirement payable of \$97,868 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 1,720,000	2,035,000	-15.5%
Early retirement	97,868	74,392	31.6%
Totals	\$ 1,817,868	2,109,392	-13.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced decreased enrollment, and the projected numbers are smaller for the next 5 to 6 years.
- With the dissolution of the East Monona Community School District, the area served by West Harrison Community School District has increased, which has increased the District's transportation needs and expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 3)	\$ 2,077,181	0	2,077,181
Other	1,268,781	0	1,268,781
Receivables:			
Property tax:			
Delinquent	37,009	0	37,009
Succeeding year	2,254,855	0	2,254,855
Income surtax	149,134	0	149,134
Accounts	5,644	0	5,644
Accrued interest - ISCAP (Note 3)	14,356	0	14,356
Due from other governments	218,810	835	219,645
Inventories	0	6,692	6,692
Capital assets, net of accumulated depreciation (Note 5)	4,519,203	13,414	4,532,617
TOTAL ASSETS	10,544,973	20,941	10,565,914
LIABILITIES			
Excess of warrants issued over bank balance	0	11,615	11,615
Accounts payable	10,578	0	10,578
Salaries and benefits payable	394,040	0	394,040
ISCAP warrants payable (Note 3)	2,065,000	0	2,065,000
ISCAP accrued interest payable (Note 3)	14,348	0	14,348
ISCAP unamortized premium	24,316	0	24,316
Accrued interest payable	4,982	0	4,982
Deferred revenue:			
Succeeding year property tax	2,254,855	0	2,254,855
Other	0	2,444	2,444
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	320,000	0	320,000
Early retirement payable	27,030	0	27,030
Portion due after one year:			
General obligation bonds payable	1,400,000	0	1,400,000
Early retirement payable	70,838	0	70,838
TOTAL LIABILITIES	6,585,987	14,059	6,600,046
NET ASSETS			
Invested in capital assets, net of related debt	2,799,203	13,414	2,812,617
Restricted for:			
Professional Development	9,927	0	9,927
Salary improvement program	412	0	412
Market factor	3,978	0	3,978
Debt service	5,214	0	5,214
Capital projects	639,643	0	639,643
Physical plant and equipment levy	87,016	0	87,016
Other special revenue purposes	267,047	0	267,047
Unrestricted	146,546	(6,532)	140,014
TOTAL NET ASSETS	\$ 3,958,986	6,882	3,965,868

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,393,902	166,306	480,328	(1,747,268)	0	(1,747,268)
Special instruction	540,855	46,951	27,662	(466,242)	0	(466,242)
Other instruction	402,389	143,725	0	(258,664)	0	(258,664)
	<u>3,337,146</u>	<u>356,982</u>	<u>507,990</u>	<u>(2,472,174)</u>	<u>0</u>	<u>(2,472,174)</u>
Support services:						
Student services	109,852	0	0	(109,852)	0	(109,852)
Instructional staff services	146,323	0	0	(146,323)	0	(146,323)
Administration services	627,298	0	0	(627,298)	0	(627,298)
Operation and maintenance of plant services	412,543	0	0	(412,543)	0	(412,543)
Transportation services	455,664	0	1,894	(453,770)	0	(453,770)
	<u>1,751,680</u>	<u>0</u>	<u>1,894</u>	<u>(1,749,786)</u>	<u>0</u>	<u>(1,749,786)</u>
Other expenditures:						
Facilities and acquisitions	28,062	0	0	(28,062)	0	(28,062)
Long-term debt interest	66,423	0	0	(66,423)	0	(66,423)
AEA flowthrough	171,160	0	171,160	0	0	0
Depreciation(unallocated) *	119,725	0	0	(119,725)	0	(119,725)
	<u>385,370</u>	<u>0</u>	<u>171,160</u>	<u>(214,210)</u>	<u>0</u>	<u>(214,210)</u>
Total governmental activities	5,474,196	356,982	681,044	(4,436,170)	0	(4,436,170)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	218,298	114,166	109,323	0	5,191	5,191
Total business-type activities	<u>218,298</u>	<u>114,166</u>	<u>109,323</u>	<u>0</u>	<u>5,191</u>	<u>5,191</u>
Total	<u>\$ 5,692,494</u>	<u>471,148</u>	<u>790,367</u>	<u>(4,436,170)</u>	<u>5,191</u>	<u>(4,430,979)</u>
General Revenues:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,969,152	0	1,969,152
Debt Service				282,019	0	282,019
Capital outlay				45,575	0	45,575
Local option sales and services tax				297,307	0	297,307
Unrestricted state grants				2,141,175	0	2,141,175
Unrestricted investment earnings				125,502	136	125,638
Other general revenue				18,531	0	18,531
Total general revenues				<u>4,879,261</u>	<u>136</u>	<u>4,879,397</u>
Changes in net assets				443,091	5,327	448,418
Net assets beginning of year				3,515,895	1,555	3,517,450
Net assets end of year				<u>\$ 3,958,986</u>	<u>6,882</u>	<u>3,965,868</u>

* This amount excludes the depreciation that is included in the direct expense of various program.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 3)	\$ 2,077,181	0	0	2,077,181
Other	328,433	498,305	442,043	1,268,781
Receivables:				
Property tax:				
Delinquent	28,531	0	8,478	37,009
Succeeding year	1,795,983	0	458,872	2,254,855
Income surtax	149,134	0	0	149,134
Accounts	2,775	0	2,869	5,644
Accrued interest - ISCAP (Note 3)	14,356	0	0	14,356
Due from other governments	77,051	141,338	421	218,810
TOTAL ASSETS	\$ 4,473,444	639,643	912,683	6,025,770
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,133	0	2,445	10,578
Salaries and benefits payable	394,040	0	0	394,040
ISCAP warrants payable (Note 3)	2,065,000	0	0	2,065,000
ISCAP accrued interest payable (Note 3)	14,348	0	0	14,348
ISCAP unamortized premium	24,316	0	0	24,316
Deferred revenue:				
Succeeding year property tax	1,795,983	0	0	2,254,855
Income surtax	149,134	0	0	149,134
Total liabilities	4,450,954	0	2,445	4,912,271
Fund balances:				
Reserved for:				
Teacher compensation	412	0	0	412
Professional development	9,927	0	0	9,927
Market factor	3,978	0	0	3,978
Debt service	0	0	5,214	5,214
Unreserved:				
General	8,173	0	0	8,173
Capital Projects	0	639,643	0	639,643
Management levy	0	0	92,089	92,089
Physical plant and equipment levy	0	0	87,016	87,016
Other special revenue purposes	0	0	267,047	267,047
Total fund balances	22,490	639,643	451,366	1,113,499
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,473,444	639,643	453,811	6,025,770

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,113,499
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	4,519,203
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	149,134
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,982)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,817,868)
Net assets of governmental activites (page 13)	\$ <u>3,958,986</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,806,249	297,307	490,497	2,594,053
Tuition	213,257	0	0	213,257
Other	136,805	13,489	137,262	287,556
State sources	2,607,378	0	346	2,607,724
Federal sources	214,495	0	0	214,495
Total revenues	4,978,184	310,796	628,105	5,917,085
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,352,203	0	27,322	2,379,525
Special instruction	540,021	0	0	540,021
Other instruction	280,414	0	120,836	401,250
	3,172,638	0	148,158	3,320,796
Support services:				
Student services	109,852	0	0	109,852
Instructional staff services	144,845	2,950	0	147,795
Administration services	625,889	0	0	625,889
Operation and maintenance of plant services	354,856	0	59,187	414,043
Transportation services	382,745	71,805	545	455,095
	1,618,187	74,755	59,732	1,752,674
Other expenditures:				
Facilities acquisitions	0	59,311	35,327	94,638
Long-term debt:				
Principal	0	0	315,000	315,000
Interest and fiscal charges	0	0	67,191	67,191
AEA flowthrough	171,160	0	0	171,160
	171,160	59,311	417,518	647,989
Total expenditures	4,961,985	134,066	625,408	5,721,459
Excess of revenues over expenditures	16,199	176,730	2,697	195,626
Other financing sources(uses):				
Transfer in	0	0	100,000	100,000
Transfer out	0	(100,000)	0	(100,000)
Sale of equipment	202	0	0	202
Total other financing sources(uses)	202	(100,000)	100,000	202
Net change in fund balances	16,401	76,730	102,697	195,828
Fund balance beginning of year	6,089	562,913	348,669	917,671
Fund balance end of year	\$ 22,490	639,643	451,366	1,113,499

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 195,828

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 161,255	
Depreciation expense	<u>(206,284)</u>	(45,029)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 315,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 768

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>(23,476)</u>
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Changes in net assets of governmental activities (page 14) \$ 443,091

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Accounts receivable	\$ 835
Inventories	6,692
Capital assets, net of accumulated depreciation (Note 5)	13,414
TOTAL ASSETS	<u>20,941</u>
LIABILITIES	
Excess of warrants issued over bank balance	11,615
Unearned revenue	2,444
TOTAL LIABILITIES	<u>14,059</u>
NET ASSETS	
Invested in capital assets	13,414
Unrestricted	(6,532)
TOTAL NET ASSETS	<u>\$ 6,882</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 114,166
Non-instructional programs:	
Food service operations:	
Salaries	71,821
Benefits	9,515
Services	402
Supplies	133,367
Other	28
Depreciation	3,165
TOTAL OPERATING EXPENSES	<u>218,298</u>
OPERATING LOSS	<u>(104,132)</u>
NON-OPERATING REVENUES:	
State sources	2,919
Federal sources	106,404
Interest on investments	136
TOTAL NON-OPERATING REVENUES	<u>109,459</u>
Change in net assets	5,327
Net assets beginning of year	<u>1,555</u>
Net assets end of year	<u><u>\$ 6,882</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 112,922
Cash payments to employees for services	(81,335)
Cash payments to suppliers for goods or services	(117,690)
Net cash used in operating activities	<u>(86,103)</u>
Cash flows from non-capital financing activities:	
State grants received	2,919
Federal grants received	92,254
Net cash provided by non-capital financing activities	<u>95,173</u>
Cash flows from investing activities:	
Interest on investments	<u>136</u>
Net increase in cash and cash equivalents	9,206
Cash and cash equivalents at beginning of year	<u>(20,821)</u>
Cash and cash equivalents at end of year	<u>\$ (11,615)</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (104,132)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,150
Depreciation	3,165
Decrease in inventories	2,079
Increase in accounts receivable	(835)
Decrease in accounts payable	(122)
Decrease in unearned revenue	(408)
Net cash used in operating activities	<u>\$ (86,103)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ (11,615)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$14,150.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 11,113
Total assets	<u>11,113</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 11,113</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions	
Local sources:	
Gifts and contributions	\$ 13,254
Interest income	17
Total additions	<u>13,271</u>
Deductions	
Instruction:	
Scholarships awarded	<u>4,744</u>
Change in net assets	8,527
Net assets beginning of year	<u>2,586</u>
Net assets end of year	<u><u>\$ 11,113</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Harrison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison and Monona Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 590,759

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 944,020	13,926	941,000	14,018
2008-09A	6/26/08	6/25/09	1,133,161	430	1,124,000	330
Total			\$ 2,077,181	14,356	2,065,000	14,348

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	750,000	750,000	0
2007-08B	0	300,000	300,000	0
Total	\$ 0	1,050,000	1,050,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 100,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Construction in Progress	0	24,485	0	24,485
Total capital assets not being depreciated	<u>20,000</u>	<u>24,485</u>	<u>0</u>	<u>44,485</u>
Capital assets being depreciated:				
Buildings	5,887,985	27,914	0	5,915,899
Land improvements	185,460	14,177	0	199,637
Machinery and equipment	1,044,955	94,679	0	1,139,634
Total capital assets being depreciated	<u>7,118,400</u>	<u>136,770</u>	<u>0</u>	<u>7,255,170</u>
Less accumulated depreciation for:				
Buildings	1,619,227	116,808	0	1,736,035
Land improvements	161,522	2,917	0	164,439
Machinery and equipment	793,419	86,559	0	879,978
Total accumulated depreciation	<u>2,574,168</u>	<u>206,284</u>	<u>0</u>	<u>2,780,452</u>
Total capital assets being depreciated, net	<u>4,544,232</u>	<u>(69,514)</u>	<u>0</u>	<u>4,474,718</u>
Governmental activities capital assets, net	<u>\$ 4,564,232</u>	<u>(45,029)</u>	<u>0</u>	<u>4,519,203</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 44,459	0	0	44,459
Less accumulated depreciation	27,880	3,165	0	31,045
Business-type activities capital assets, net	\$ 16,579	(3,165)	0	13,414

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,767
Special		834
Other		1,139
Support services:		
Instructional staff		5,635
Administration		1,409
Operation and maintenance of plant		1,400
Transportation		72,375
		86,559
Unallocated depreciation		119,725
Total governmental activities depreciation expense		\$ 206,284
Business-type activities:		
Food service operations		\$ 3,165

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,035,000	0	315,000	1,720,000	320,000
Early retirement	74,392	46,306	22,830	97,868	27,030
Total	\$ 2,109,392	46,306	337,830	1,817,868	347,030

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue of April 1, 2003		
		Principal	Interest	Total
2009	3.10-3.20	\$ 320,000	57,303	377,303
2010	3.30-3.40	330,000	46,980	376,980
2011	3.45-3.50	345,000	35,715	380,715
2012	3.55-3.65	355,000	23,551	378,551
2013	3.70-3.80	370,000	10,452	380,452
Total		\$ 1,720,000	174,001	1,894,001

Early Retirement

The District offered in prior years a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA Step I hiring base rate of pay. Early retirement benefits paid during the year ended June 30, 2008, totaled \$22,830.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$180,148, \$166,615, and \$168,147 respectively, equal to the required contributions for each year.

(8) Risk Management

West Harrison Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$171,160 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Unrestricted Net Assets

The Enterprise, School Nutrition Fund had deficit unrestricted net assets of \$6,532 at June 30, 2008

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the other expenditures function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund	Fund				Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 3,094,865	114,302	3,209,167	3,775,750	3,775,750	(566,583)
State sources	2,607,725	2,919	2,610,644	2,313,043	2,313,043	297,601
Federal sources	214,495	106,404	320,899	441,000	441,000	(120,101)
Total revenues	5,917,085	223,625	6,140,710	6,529,793	6,529,793	(389,083)
Expenditures:						
Instruction	3,320,796	0	3,320,796	4,406,346	4,406,346	1,085,550
Support services	1,752,674	0	1,752,674	2,032,307	2,032,307	279,633
Non-instructional programs	0	218,298	218,298	236,417	236,417	18,119
Other expenditures	647,989	0	647,989	565,857	565,857	(82,132)
Total expenditures	5,721,459	218,298	5,939,757	7,240,927	7,240,927	1,301,170
Excess(deficiency) of revenues over(under) expenditures	195,626	5,327	200,953	(711,134)	(711,134)	912,087
Other financing sources, net	202	0	202	0	0	202
Excess(deficiency) of revenues and other financing sources over(under) expenditures	195,828	5,327	201,155	(711,134)	(711,134)	912,289
Balance beginning of year	917,671	1,555	919,226	24,424	24,424	894,802
Balance end of year	\$ 1,113,499	6,882	1,120,381	(686,710)	(686,710)	1,807,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008 expenditures in the other expenditures functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
ASSETS							
Cash and pooled investments	\$ 89,819	29,473	88,128	234,284	441,704	339	442,043
Receivables:							
Property tax:							
Current year delinquent	2,815	0	788	0	3,603	4,875	8,478
Succeeding year	183,000	0	48,170	0	231,170	227,702	458,872
Accounts	0	2,869	0	0	2,869	0	2,869
Due from other governments	0	421	0	0	421	0	421
TOTAL ASSETS	\$ 275,634	32,763	137,086	234,284	679,767	232,916	912,683
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 545	0	1,900	0	2,445	0	2,445
Deferred revenue:							
Succeeding year property tax	183,000	0	48,170	0	231,170	227,702	458,872
	183,545	0	50,070	0	233,615	227,702	461,317
Fund balances:							
Reserved for:							
Debt Service	0	0	0	0	0	5,214	5,214
Unreserved:							
Undesignated	92,089	32,763	87,016	234,284	446,152	0	446,152
Total fund balances	92,089	32,763	87,016	234,284	446,152	5,214	451,366
TOTAL LIABILITIES AND FUND BALANCES	\$ 275,634	32,763	137,086	234,284	679,767	232,916	912,683

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 162,902	0	45,576	0	208,478	282,019	490,497
Other	570	125,696	1,479	7,899	135,644	1,618	137,262
State sources	115	0	32	0	147	199	346
TOTAL REVENUES	163,587	125,696	47,087	7,899	344,269	283,836	628,105
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	27,322	0	0	0	27,322	0	27,322
Other instruction	0	118,993	0	1,843	120,836	0	120,836
Support services:							
Operation and maintenance of plant services	59,187	0	0	0	59,187	0	59,187
Student transportation	545	0	0	0	545	0	545
Other expenditures:							
Facilities acquisitions	0	0	35,327	0	35,327	0	35,327
Long-term debt:							
Principal	0	0	0	0	0	315,000	315,000
Interest	0	0	0	0	0	67,191	67,191
TOTAL EXPENDITURES	87,054	118,993	35,327	1,843	243,217	382,191	625,408
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76,533	6,703	11,760	6,056	101,052	(98,355)	2,697
OTHER FINANCING SOURCES:							
Transfer in	0	0	0	0	0	100,000	100,000
Net change in fund balances	76,533	6,703	11,760	6,056	101,052	1,645	102,697
FUND BALANCE BEGINNING OF YEAR	15,556	26,060	75,256	228,228	345,100	3,569	348,669
FUND BALANCE END OF YEAR	\$ 92,089	32,763	87,016	234,284	446,152	5,214	451,366

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 120	1,014	1,134	0
Danz Team	177	1,536	1,209	504
Yearbook	0	5,161	5,161	0
Summer Parade Prize Money	25	0	0	25
Athletic Fundraiser	315	28,524	28,418	421
Pop/Snack/Pen/Pencil	206	28,504	26,347	2,363
JH History Day	0	200	200	0
Cheerleaders	122	2,656	2,082	696
FCCLA	978	5,143	5,311	810
FCCLA Team Nutrition Grant	0	119	119	0
History Day Grant	291	0	291	0
Red Cross Club	343	0	50	293
Drama	1,823	835	1,266	1,392
Drama Donations	250	0	0	250
Boys Summer League Basketball	968	0	427	541
Elem. Pictures	107	736	0	843
FFA	100	100	150	50
C.O.R.E. Fundraiser	46	0	0	46
Communications Video	92	0	0	92
Vocational Fundraiser	133	0	0	133
Choral & Senior Gowns	600	0	108	492
Dads N Donuts	0	850	395	455
National Honor Society	0	80	71	9
Ind Arts Marketing	171	420	435	156
Class of 2009	0	13,984	11,045	2,939
Class of 2008	2,269	5	2,274	0
Library Bean Bags	0	200	0	200
Instrumental Music	156	1,343	1,499	0
Instrumental Music Donations	121	0	0	121
Cross Country	20	0	0	20
Vocal Music	0	3,491	3,491	0
Vocal Donations	250	0	0	250
Scholarship	2	0	0	2
Science Bowl	0	150	0	150
Student Council	407	3,632	3,584	455
Softball Sign	1,417	970	943	1,444
JH Athletics	150	0	0	150
Lift-A-Thon	4,523	2,044	170	6,397
Baseball	99	524	404	219
Football	950	100	733	317
Boys Track	795	0	0	795
Girls Track	357	716	709	364
Experiment in Intern. Living	530	2,894	3,415	9
Physics Field Trip	0	37	0	37
MS Student Council	389	631	325	695
Middle School Fundraiser	4,273	3,806	5,356	2,723
Elem. Fundraiser	195	0	0	195
SH Fundraiser	260	195	212	243
Boys Basketball	184	439	262	361
Volleyball	1,439	8,811	6,827	3,423
Fall Sports Fundraiser	140	0	0	140
Community Development	267	617	306	578
Elementary Skate Rental Fund	0	175	175	0
Dr. Seuss Celebration	0	200	0	200
Elementary AR Awards	0	500	500	0
Softball	0	883	883	0
Wrestling Cheerleading	0	3,471	2,706	765
Total	\$ 26,060	125,696	118,993	32,763

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,594,053	2,565,657	2,359,915	2,263,627	2,114,411
Tuition	213,257	174,225	256,689	282,570	351,140
Other	287,556	367,891	364,802	308,453	168,476
	0	0	4,925	0	0
Intermediate sources	2,607,724	2,402,446	2,301,134	2,359,487	1,938,519
State sources	214,495	191,337	315,908	298,610	270,123
Federal sources					
Total	\$ 5,917,085	5,701,556	5,603,373	5,512,747	4,842,669
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,379,525	2,093,567	1,880,985	1,850,542	1,676,106
Special instruction	540,021	538,012	609,976	887,368	811,205
Other instruction	401,250	532,667	523,656	386,208	374,496
Support services:					
Student services	109,852	114,488	146,616	122,347	94,346
Instructional staff services	147,795	152,391	198,741	130,832	123,822
Administration services	625,889	589,785	545,057	561,189	566,158
Operation and maintenance of plant services	414,043	383,166	379,808	416,196	365,320
Transportation services	455,095	387,849	473,378	357,111	299,068
Non-instructional programs	0	0	0	24,719	5,406
Other expenditures:					
Facilities acquisitions	94,638	25,225	117,046	329,026	37,741
Long-term debt:					
Principal	315,000	305,000	300,000	295,000	260,000
Interest	67,191	75,382	82,283	87,976	115,506
AEA flow-through	171,160	160,022	154,145	154,609	139,940
Total	\$ 5,721,459	5,357,554	5,411,691	5,603,123	4,869,114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Harrison Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Harrison Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Harrison Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Harrison Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Harrison Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether West Harrison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Harrison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Harrison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Harrison Community School District and other parties to whom West Harrison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Harrison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2009

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

We noted during our audit that the Student Activity fund included Team Nutrition grant, Elementary Skate Rental Fund, Community Development, and Scholarship accounts. The receipts and expenditures from these accounts appear to be more appropriately run through the Nutrition, General, and Trust Funds respectively. A transfer should be made to move the balances to the appropriate funds where the monies can be receipted and expended.

Response - The District has since removed these accounts from the Student Activity fund.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The construction costs incurred during the year faster than anticipated. In the future, we will amend the budget correctly for anticipated expenditures.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. However, we noted instances where the District paid 40 cents per mile for mileage reimbursement. Policy 401.7 states that the District will reimburse employees at 30 cents per mile.

Recommendation - The District needs to review their travel reimbursement policy to ensure that they are paying the correct mileage reimbursement rates to their employees.

Response - The policy has been updated.

Conclusion - Response accepted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joyce Hall, Secretary Spouse of Owner of Hall Body Shop	Purchased services	\$596
Bev Hutchinson, Teacher Spouse cleans horns	Purchased services	\$155

In accordance with the Attorney General's opinion dated November 9, 1976 the above transactions with the spouses do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for September 2007 was understated by 3.5 students

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The District had a deficit unrestricted net assets of \$6,532 in the Enterprise - School Nutrition fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will review the expenses of the Nutrition Fund and re-evaluate the prices charged and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.